

**Schroders plc cash flow statement**

for the year ended 31 December 2006

	Notes	2006 £mn	2005 £mn
<b>Operating activities</b>			
Operating (loss)/profit		(15.8)	635.1
<b>Adjustments for:</b>			
Increase in trade and other receivables		(15.1)	(22.7)
Increase/(decrease) in trade and other payables		175.3	(484.4)
Net decrease in financial liabilities		(3.9)	-
Contribution to defined benefit scheme		(2.4)	(34.2)
Share-based payments expensed		19.0	2.8
Amounts received in respect of Group tax relief		9.2	10.7
Interest paid		(8.5)	(36.2)
Interest received		1.6	2.0
Net receipts from subsidiaries in respect of employee share awards		-	1.5
<b>Net cash from operating activities</b>		159.4	74.6
<b>Financing activities</b>			
Proceeds from issue of share capital		27.8	21.8
Acquisition of own shares		(72.8)	(23.0)
Disposal of own shares		37.3	-
Redemption of ordinary share capital		(84.3)	(15.3)
Dividends paid		(63.4)	(59.5)
<b>Net cash used in financing activities</b>		(155.4)	(76.0)
<b>Net increase/(decrease) in cash and cash equivalents</b>		4.0	(1.4)
Opening cash and cash equivalents		0.8	2.2
Net increase/(decrease) in cash and cash equivalents		4.0	(1.4)
<b>Closing cash and cash equivalents</b>	47	4.8	0.8

# Schroders plc statement of recognised income and expense

for the year ended 31 December 2006

**Schroders**  
**Financial accounts**

**86/87**

	2006 £mn	2005 £mn
Actuarial gains on defined benefit pension schemes	5.6	5.5
Fair value adjustment on acquisition of subsidiary	—	1,397.4
Tax on Equity Compensation Plan and share option awards	0.7	1.2
<b>Net income and expense recognised directly in equity</b>	<b>6.3</b>	<b>1,404.1</b>
<b>(Loss)/profit for the year</b>	<b>(20.6)</b>	<b>613.8</b>
<b>Total recognised income and expense for the year</b>	<b>(14.3)</b>	<b>2,017.9</b>
<b>Attributable to:</b>		
Equity holders of the Company	(14.3)	2,017.9



# Schroders plc Notes to the Accounts

for the year ended 31 December 2006

## 40. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, as adopted by the European Union as at 31 December 2006.

The financial statements have been prepared on the historical cost basis. The Company has taken advantage of the exemption in section 230 of the Act not to present its own income statement. The principal accounting policies adopted are the same as those set out in note 1 'Summary of accounting policies' except as noted below.

### Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 41. Revenues and expenses

	2006 £mn	2005 £mn
<b>Included in revenues:</b>		
Gain on liquidation of subsidiary	—	621.1
Net (losses)/gains on foreign exchange	(0.5)	0.6
<b>Included in administrative expenses:</b>		
Salaries and other remuneration	10.7	12.7
Social security costs	2.7	2.4
Other pension costs (see note 42)	6.0	6.4
<b>Employee benefits expense</b>	<b>19.4</b>	<b>21.5</b>

The average number of employees employed by the Company during the year was:

	Average	
	2006 Number	2005 Number
Full-time employees	12	11

The audit fee for the annual accounts of the Company was £0.3 million (2005: £0.3 million). Fees relating to other audit services provided pursuant to legislation were £nil in the year (2005: £0.1 million).

	2006 £mn	2005 £mn
<b>Included in interest:</b>		
Interest receivable on loans to subsidiaries	1.9	1.4
Interest payable on loans from subsidiaries	(13.1)	(23.4)
Other interest payable	(0.1)	(0.2)
<b>Interest payable and similar charges</b>	<b>(13.2)</b>	<b>(23.6)</b>

## 42. Retirement benefit obligations

The expense borne for pension costs represents the charge for the year in respect of the Schroders Retirement Benefits Scheme. Full details of the Scheme can be found in note 4.

**43. Tax expense**

	2006 £mn	2005 £mn
<b>(a) Analysis of credit in year</b>		
<b>Current tax:</b>		
Current group relief credit	(8.2)	(9.8)
Adjustments in respect of prior periods – group relief	0.1	0.2
<b>Total current tax</b>	<b>(8.1)</b>	<b>(9.6)</b>
Deferred tax – origination and reversal of temporary differences	1.9	8.5
Deferred tax adjustments in respect of prior periods	(0.3)	0.1
<b>Total tax credit for the year</b>	<b>(6.5)</b>	<b>(1.0)</b>
<b>(b) Analysis of credit to equity</b>		
Current tax on Equity Compensation Plan and share option awards	(2.0)	2.8
Deferred tax on actuarial gains and losses on defined benefit schemes	1.7	(1.6)
Deferred tax on Equity Compensation Plan and share option awards – current year	(0.4)	–
<b>Tax credit reported in equity</b>	<b>(0.7)</b>	<b>1.2</b>

**(c) Factors affecting tax credit for the year**

The current tax credit for the year is lower (2005: lower) than the standard rate of UK corporation tax (30 per cent.). The differences are explained below:

	2006 £mn	2005 £mn
(Loss)/profit before tax	(27.1)	612.9
(Loss)/profit before tax multiplied by corporation tax at the UK standard rate of 30% (2005: 30%)	(8.1)	183.9
Effects of:		
Prior year adjustments	(0.2)	0.2
Non-taxable income net of disallowable expenses	1.8	(185.4)
UK tax on profits of overseas entities	–	0.5
Adjustment in respect of share-based payments	–	(0.2)
<b>Total tax credit for year</b>	<b>(6.5)</b>	<b>(1.0)</b>

**44. Dividends**

Details of the Company's dividends paid and proposed for approval at Annual General Meeting can be found in note 7.

**45. Investments in subsidiaries**

	2006 £mn	2005 £mn
At 1 January	2,585.0	1,190.0
Additions	–	2,585.0
Liquidation of former subsidiaries	–	(1,190.0)
<b>At 31 December</b>	<b>2,585.0</b>	<b>2,585.0</b>